

Message Text

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PAGE 01 LIMA 08142 011731Z

61

ACTION ARA-10

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SUBJECT: MINISTER OF ECONOMY AND FINANCE SPEECH

REF: A) LIMA 7662, B) LIMA 7593, C) LIMA 8001, D) STATE 199613

BEGIN UNCLASSIFIED

1. ON SEPTEMBER 26, MINISTER OF ECONOMY AND FINANCE LUIS BARUA GAVE A FORTY-MINUTE TELEVISED SPEECH ON THE ECONOMY FOLLOWED BY A PRESS CONFERENCE. FOR PERU, IT WAS A DISTAINCLY NON-POLEMICAL SPEECH WITH NO SURPRISES. THE MOST SIGNIFICANT POLICY MEASURE, THE UNIFICATION OF THE CERTIFICATE AND THE DRAFT RATES OF EXCHANGE AT FORTY-FIVE SOLES TO THE DOLLAR, HAD ACTUALLY BEEN ANNOUNCED TO THE BANKING COMMUNITY THE PREVIOUS EVENING AND REPORTED REFTEL C. HE SPENT CONSIDERABLE TIME LISTING THE POSITIVE EFFECTS OF THE DEVALUATION AND COMMITTED THE GOP TO PREVENTING ANY INCREASE IN CONSUMER PRICES AS A RESULT OF THE MEASURE.

2. BARUA PRESENTED THE FOLLOWING STATISTICS FOR THE
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PAGE 02 LIMA 08142 011731Z

1975 TRADE BALANCE WHICH DIFFERS FROM THE FIGURES WE

RECEIVED FROM THE NATIONAL PLANNING INSTITUTE AND
REPORTED REFTEL A (ALL FIGURES ARE IN \$ MILLION.)

	JAN-JUNE 1975	JAN-DEC 1975
EXPORTS	\$722	\$1506
IMPORTS	1246	2491
TRADE BALANCE	-524	-985

IMPORTS BREAK DOWN AS FOLLOWS:

CONSUMER GOOD	\$240
RAW MATERIALS AND	
INTERMEDIATE GOODS	\$1165
CAPITAL GOODS	\$825
OTHER	\$261

THE MAJOR EXPORTS FOR 1975 WILL BE AS FOLLOWS:

FISHMEAL	\$237
COTTON	\$65
SUGAR	\$265
COPPER	\$193
ZINC	-156
OIL AND OIL PRODUCTS	\$37

3. BARUA ANNOUNCED THAT PERU'S FOREIGN EXCHANGE RESERVE WILL DECLINE \$230 MILLION DURING 1975 TO A DECEMBER 31, 1975, TOTAL OF \$446 MILLION. (NOTE THAT THE PREVIOUS MINISTER OF ECONOMY AND FINANCE STATED IN FEBRUARY THAT THE FOREIGN RESERVE FIGURE WAS \$702 MILLION, NOT THE \$676 MILLION AS MENTIONED IN BARUA'S SPEECH). HE ALSO STATED THAT PERU WILL BORROW \$1,124 MILLION IN SHORT, MEDIUM, AND LONG-TERM FOREIGN CAPITAL IN 1975. SHORT-TERM CAPITAL INFLOW WILL BE \$320 MILLION.

4. GROSS DOMESTIC PRODUCT WILL GROW BY 5.5 PERCENT IN REAL TERMS DURING 1975. THE PERCENTAGE GROWTH IN THE VARIOUS SECTORS WILL BE AS FOLLOWS:

AGRICULTURE	2.5
FISHING	35.5
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PAGE 03 LIMA 08142 011731Z

MINING	-5.0
INDUSTRY	7.0
CONSTRUCTION	12.0
OTHERS	5.8

5. REACTION TO BARUA'S SPEECH WAS FAVORABLE. PRESS ARTICLES AND EDITORIALS STRESSED THE STATE OF THE WORLD ECONOMY AS THE PRINCIPAL SOURCE OF PERU'S ECONOMIC AND

FINANCIAL PROBLEMS. THEY COMMENTED THAT THE DEVALUATION (WHICH THE AVERAGE PERUVIAN HAS GREATLY FEARED SINCE THE INFLATION FOLLOWING THE LAST DEVALUATION IN 1967) WAS A POSITIVE MEASURE. MOST TOOK THE LINE THAT NOW THAT THE ECONOMY HAS BEEN RESTRUCTURED, THE PEOPLE, THROUGH THE STATE, WILL REAP THE BENEFITS OF THE DEVALUATION RATHER THAN THE OLIGARCHS. EVEN THE COMMUNIST DAILY "EXPRESSO" PRAISED THE SPEECH.

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6. COMMENT: BARUA, AFTER AN INITIAL FIVE MINUTES OF NERVOUSNESS, GAVE A COHERENT, WELL-DESIGNED PRESENTATION, BOTH IN HIS SPEECH AND IN THE PRESS CONFERENCE WHICH FOLLOWED. HE WAS SELF-CONFIDENT AND IN COMPLETE CONTROL. ONE WOULD NOT HAVE GUESSED THAT HE WAS THE ONLY CIVILIAN IN AN OTHERWISE ALL-MILITARY CABINET.

7. WITH RESPECT TO BARUA'S STATISTICS, DISCREPANCIES WILL BE NOTED WITH DATA PREVIOUSLY REPORTED. STATISTICS RELEASED BY THE GOP DURING THE PAST 18 MONTHS HAVE BECOME INCREASINGLY UNRELIABLE, AND SOME SERIES HAVE SIMPLY BECOME UNAVAILABLE. THIS SEEMS IN PART ATTRIBUTABLE TO AN APPARENT DESIRE TO CONCEAL DETERIORATION OF THE ECONOMY, AND IN PART TO WHAT APPEARED TO BE A RELUCTANCE BY GOP ENTITIES TO SHARE DATA WITH ONE ANOTHER. WE HAVE BEEN TOLD BY MINISTRY OF FINANCE OFFICIALS THAT THIS SITUATION WILL NOW IMPROVE.
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